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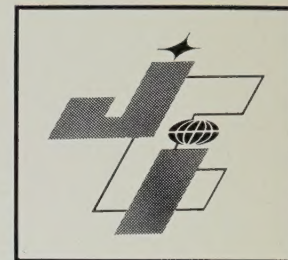
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JUBILEE IRON CORPORATION

FINANCIAL STATEMENTS

December 31, 1966



STATEMENT
1

Balance Sheet

December 31, 1966

Assets

CURRENT:

Cash in bank	\$	2,179
Marketable securities at cost		1,733
Due from Canadian Javelin Limited		12,876
Total Current Assets	\$	16,788

FIXED ASSETS, at cost:

Machinery and equipment	\$	63,097
Less accumulated depreciation		48,211
	\$	14,886
Mining claims, rights, leases and oil concessions: (Note 10)		
Acquisition cost	\$	752,049
Field expenditure (Note 3 (a))		535,531
		<u>1,287,580</u>
		1,302,466

OTHER:

Accumulated unrecovered expenses (Statement 3) (Note 3)	\$2,396,576
Organization and underwriting expenses	<u>2,876</u>
	2,399,452
	<u>\$3,718,706</u>

The accompanying notes are an integral part of these financial statements.

St. John's, Nfld.,
May 4, 1967.

Jubilee Iron Corporation 1966 Annual Report

Liabilities

CURRENT:

Accounts payable and accrued liabilities	\$ 45,486
Due to officers, directors and shareholder	107,833
Total Current Liabilities	<u>\$ 153,319</u>

Shareholders' Equity

CAPITAL STOCK: (Note 4)

Authorized — 10,000,000 shares of \$1.00	\$10,000,000	
Issued and fully paid — 4,433,200 shares	\$ 4,433,200	
Less discount on issue (net)	1,005,459	
	<u>\$ 3,427,741</u>	
SURPLUS (Statement 2)	137,646	
		<u>3,565,387</u>
		<u>\$3,718,706</u>

Approved on behalf of the Board:

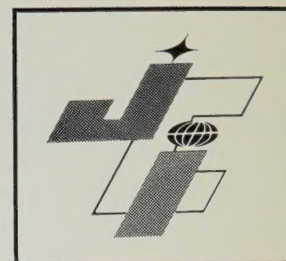
SARTO FOURNIER, Director.

WILLIAM H. ROXBURGH, Director.

Verified in accordance with our attached report.

LEE & MARTIN,

Chartered Accountants.



STATEMENT
2

Statement of Surplus

For the year ended December 31, 1966

Balance at deficit January 1, 1966	\$ (735,791)
Add:	
Acquisition and field costs on claims abandoned in 1965 and 1966	70,163
Loss on disposal of fixed asset	519
	<u>\$ (806,473)</u>
Deduct:	
Net credit arising from implementation of the terms of agreement dated June 30, 1966 (Note 5)	944,119
Balance December 31, 1966 (to Statement 1)	<u>\$ 137,646</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT
3

Statement of Accumulated Unrecovered Expenses

For the year ended December 31, 1966

Accumulated exploration and development expenses — (Statement 4)	\$ 46,863
Accumulated aeroplane expenses — balance January 1 and December 31, 1966	411,504
Accumulated administrative and general expenses — (Statement 5)	1,579,345
Accumulated promotional, public and shareholder relation expenses — (Statement 6)	358,911
	<u>\$2,396,623</u>
Less dividends received in 1966	47
Total accumulated unrecovered expenses (to Statement 1)	<u>\$2,396,576</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT
4

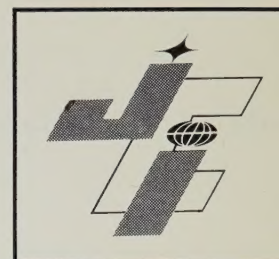
Statement of Accumulated Exploration and Development Expenses

For the year ended December 31, 1966

Balance January 1, 1966	\$ 442,832
Less field expenditures as at January 1, 1966 on various exploration properties held by the company (Note 3 (a))	417,231
	<hr/>
	\$ 25,601

1966 expenses:

Board and living allowance	\$ 698	
Depreciation	3,721	
Engineering fees	3,221	
Group insurance	228	
Insurance	200	
Miscellaneous	(126)	
Pension plan	39	
Printing and reproduction expense	175	
Rent	300	
Salaries — executive	4,150	
Salaries — engineering staff	4,904	
Subscriptions and publications	14	
Telephone and telegraph	29	
Travelling — engineers	3,592	
Unemployment insurance	12	
Workmen's compensation	105	21,262
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Total (to Statement 3)		\$ 46,863
		<hr/>



STATEMENT
5

Statement of
Accumulated Administrative
and General Expenses

For the year ended December 31, 1966

Balance January 1, 1966		\$1,712,357
Less: Prior year's adjustments	\$ 2,658	
Transfer of promotional, public and shareholder relation expenses as at January 1, 1966 (Note 3 (c))	278,294	280,952
		<u>\$1,431,405</u>

1966 expenses:

Association dues and fees	\$ 100	
Automobile maintenance	390	
Audit fees (1965 and 1966)	15,191	
Bank charges and exchange	(382)	
Business tax	152	
Board and living allowances	1,500	
Taxes	30	
Directors' fees and remuneration	3,300	
Insurance	305	
Interest	39,218	
Legal fees	30,054	
Light and power	108	
Office cleaning	98	
Office supplies	600	
Printing and stationery	92	
Postage	90	
Rent	943	
Salaries — executive	40,439	
Telephone and telegraph	16	
Travelling and other expenses — directors' meetings	1,859	
Travelling expenses — other	13,837	147,940
Total (to Statement 3)		<u><u>\$1,579,345</u></u>

STATEMENT
6

**Statement of
Accumulated Promotional,
Public and Shareholder
Relation Expenses**

For the year ended December 31, 1966

Balance January 1, 1966		\$ 278,294
1966 expenses:		
Board and living allowances	\$ 1,800	
Business promotion and entertainment	1,987	
Equipment maintenance	240	
Equipment rental	2,272	
Group insurance	699	
Insurance	136	
Pension plan	418	
Printing and stationery	9,450	
Postage	4,780	
Public and shareholder relation fees	350	
Salaries	22,282	
Supplies and expense	441	
Telephone	1,950	
Travelling	14,219	
Transfer agent fees	19,553	
Unemployment insurance	40	80,617
Total (to Statement 3)		<u>\$ 358,911</u>



Notes to Financial Statements

December 31, 1966

1. These statements are essentially stated in Canadian dollars. Current assets and liabilities in United States dollars have been converted to Canadian dollars at the rate of exchange on December 31, 1966, which has not varied substantially since that date. Other assets and expenses are expressed on the basis that the United States and Canadian dollars were at par at the time of the transaction, any differential in exchange rate having been charged or credited to financial expenses.

2. In settlement of advances totalling \$348,874 made in 1965, Newfoundland and Labrador Corporation Limited has assigned to the Company all of its rights to the Van Dutton molybdenum property located on the south coast of Newfoundland.

3. (a) Exploration and development costs directly attributable to field work on the Company's claims heretofore have been included in accumulated unrecovered expenses. The accumulated total of such costs so included as at January 1, 1966 (\$417,231) has been transferred to "Mining Claims, field expenditures", and is presented on the balance sheet as an addition to the cost of mining claims. It is the Company's policy, as of January 1, 1966, to present all such direct costs in this manner.

(b) Exploration and development costs not directly attributable to field work on the Company's claims, together with costs of aeroplane operations, administrative and general expenses, and promotional, public and shareholder relation expenses are included in accumulated unrecovered expenses and an amortization policy in respect of these expenditures has not yet been formulated.

(c) Promotional, public and shareholder relation expenses have previously been included in administrative expenses and the total of such expenditures as at January 1, 1966 was \$278,294. As of January 1, 1966, expenditures of this nature are presented as a separate classification under accumulated unrecovered expenses.

(d) Charges for engineering, administrative and other services and facilities made by Canadian Javelin Limited to the Company have, in the past, been shown in total as separate items in the statement of accumulated unrecovered expenses. As of January 1, 1966, these charges have been assigned to the appropriate expense classifications and their total for the year amounted to \$131,984.

4. (a) Bylaw "D" enacted July 17, 1963, authorized the directors to issue shares by resolution at any premium, or at a discount not exceeding ninety-nine per cent of par so that the issue price of each share shall not be less than, but may be more than, one cent per share.

(b) The issued capital of the Company and net discount on issue have been adjusted to reflect the cancellation of 3,000 shares issued in 1965 under a stock option plan.

(c) Details of issues of the Company's stock to December 31, 1966, are as follows:

	Number of Shares	Par Value	Discount (Premium)	Net Proceeds
1958				
Issued to Canadian Javelin Limited in part satisfaction of charges by that Company for exploration, development and administrative services and expenses	500,000	\$ 500,000	\$ 450,000	\$ 50,000
1960				
Issued to Simone Iron Corporation, a wholly-owned subsidiary of Canadian Javelin Limited for mining claims	400,000	400,000	—	400,000
Issued to Canadian Javelin Limited in part satisfaction of charges by that Company for exploration, development and administrative services and expenses	1,674,000	1,674,000	837,000	837,000
Issued for cash under the terms of an underwriting agreement dated August 29, 1960	1,000,000	1,000,000	600,000	400,000

Jubilee Iron Corporation 1966 Annual Report

	Number of Shares	Par Value	Discount (Premium)	Net Proceeds
1962				
Issued under the terms of options granted to technical and administrative personnel associated with the Company's operations.				
— for cash	47,900	47,900	23,950	23,950
— against demand notes receivable under authority of a resolution of the directors	52,100	52,100	26,050	26,050
Issued in settlement of an account payable	10,000	10,000	(19,870)	29,870
1963				
Issued under the terms of option granted to an officer and director	5,500	5,500	2,750	2,750
Issued in settlement of an account payable to a former director	3,200	3,200	(8,800)	12,000
1964				
Issued under the terms of option granted to an officer and director	19,500	19,500	9,750	9,750
Underwriting	300,000	300,000	(450,000)	750,000
1965				
Issued under the terms of option granted to an officer and director	125,000	125,000	43,750	81,250
Issued under stock option plan	299,000	299,000	(514,280)	813,280
1966				
Cancelled (Note 4(b))	(3,000)	(3,000)	5,159	(8,159)
TOTAL	<u>4,433,200</u>	<u>\$4,433,200</u>	<u>\$1,005,459</u>	<u>\$3,427,741</u>

5. Under agreements dated June 30, 1966 with Canadian Javelin Limited and Newfoundland and Labrador Corporation Limited (NALCO) the Company acquired:

- (a) Certain mining claims situated in Ontario and Quebec;
- (b) An interest in certain Chilean copper properties and certain Grand Banks oil concessions;
- (c) An interest in the property known as the Lockport Mine in Newfoundland; and
- (d) Forgiveness of its liability to Canadian Javelin Limited.

In return for these acquisitions, the Company agreed to:

- (a) Transfer to Nalco its shares in Melville Chemical & Cellulose Limited;
- (b) Write off certain advances it had made in respect of the Melville project; and
- (c) Return to Nalco 4,436,200 shares acquired under an aborted agreement referred to in the notes to the financial statements dated December 31, 1965.



Values have been assigned to the above elements of the aforesaid agreements only to the extent that actual costs have been ascertainable and accordingly no values have been assigned to the interests in the Chilean copper properties, the Grand Banks oil concessions and the Lockport Mine, and the Melville and NALCO shares.

The values which have been assigned to the elements of these agreements have been recorded in the Company's accounts and have resulted in a net credit to surplus of \$944,119. The status of the Company in relation to Canadian Javelin Limited and NALCO is referred to in Note 6.

6. Of the 4,433,200 shares of the Company issued and outstanding at December 31, 1966, 903,909 shares or 20.4% were held by Canadian Javelin Limited and its wholly owned subsidiary, Simone Iron Corporation. The Company therefore was not a subsidiary of Canadian Javelin Limited for accounting purposes but management considers that effective control of the Company's operations is exercised by Canadian Javelin Limited. It is understood that Mr. J. C. Doyle holds beneficial ownership of 220,000 (or 4.96%) of Jubilee's issued and outstanding shares and that there are no other significant holdings of Jubilee shares by the directors or officers of Jubilee, Canadian Javelin Limited or its subsidiaries.

As at December 31, 1966, Canadian Javelin Limited owned 3,150,297 shares or 94.6% of the issued and outstanding shares of NALCO.

7. An aggregate amount of \$43,739 (including \$3,300 directors fees) was credited, during the year, to directors and officers of the Company. This aggregate includes pro-rated charges amounting to \$25,439 from Canadian Javelin Limited for executive remuneration.

8. (a) The Company is contingently liable as at December 31, 1966 in the amount of \$5,466 in respect of a separation allowance granted to a former officer of the Company.

(b) On or about July 22, 1965, the Department of National Revenue of Canada served a demand on the Company requiring it to pay to the Receiver General of Canada any monies due or becoming due to Mr. John C. Doyle. It is understood that no additional liability of the Company is created unless payments are made to Mr. Doyle, in which case the Company becomes liable to the Receiver General of Canada in an amount equal to such payments, and in this regard the Company is contingently liable in the amount of \$13,000.00 as at December 31, 1966.

9. In connection with the issuance of certain option shares of Jubilee Iron Corporation during 1965, the Auditors' Report on the financial statements dated December 31, 1965 to the shareholders of Jubilee Iron Corporation contained the following statement:

"We report that, in our opinion, the option plan involving 299,000 shares of your Company's capital stock was carried out in an irregular manner and we are unable to express an opinion with regard to transactions involving delivery of 100,378.5 shares of your Company, issued thereunder in payment of liabilities totalling \$348,875 for the account of Newfoundland and Labrador Corporation Limited. We have qualified our report to that Company accordingly. For a summary of the accounting of the shares issued under the plan refer to Note 5(c)(ii) to the accompanying financial statements" (1965).

The financial statement also contained reference to possible rights of action against Jubilee Iron Corporation by three optionees of the plan.

10. Certain off shore oil concessions granted by the Government of Newfoundland and Labrador may be subject to over-riding rights of the Government of Canada.

11. On October 3, 1966, the Canadian Stock Exchange, under a temporary order, suspended trading in the Company's shares. Negotiations for the resumption of trading are now underway.

Auditors' Report

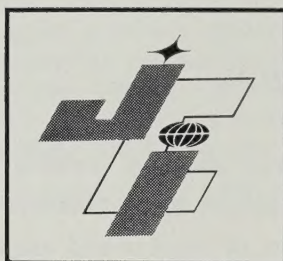
To: The Shareholders of
JUBILEE IRON CORPORATION.

We have examined the balance sheet of Jubilee Iron Corporation — No Personal Liability — (a company incorporated under the provisions of the Quebec Mining Act) as at December 31, 1966 and the statements of surplus and accumulated unrecovered expenses for the year ended on that date. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, based upon our examination and the report of previous auditors, the accompanying balance sheet and statements of surplus and accumulated unrecovered expenses, together with the notes attached thereto, present fairly the financial position of the company as at December 31, 1966, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles, applied (subject to the accounting policy changes in respect of accumulated unrecovered expenses referred to in Note (3) of the financial statements, with which we concur) on a basis consistent with that of the preceding year.

St. John's, Newfoundland,
May 4, 1967.

LEE & MARTIN,
Chartered Accountants.



JUBILEE IRON CORPORATION

**360 St. James St. West
Montreal, Quebec**